

# THE STAT PACK



The Stat Pack is created by Benjamin Day and Hannah Parsons, Selley Group Real Estate.  
Find them at [www.PikesPeakUrbanLiving.com](http://www.PikesPeakUrbanLiving.com)

## INTRODUCTION:

The Purpose of the Stat Pack is to provide comprehensive, objective information about the Pikes Peak Regional Real Estate Market. The Goal of the Stat Pack is to provide factual data and locate opportunities in a fluid real estate market.

## THE RULES:

There are many rules in a fluid real estate market, but here are a few that we believe hold true IN ANY MARKET (one favoring buyers; one favoring sellers; it does not matter):

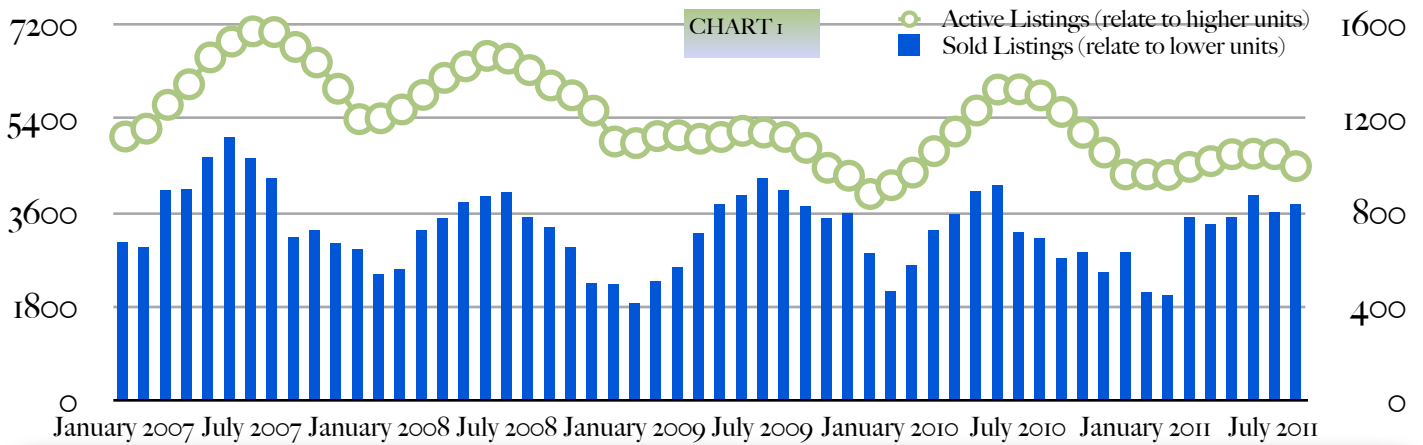
- LOCATION, LOCATION, LOCATION
- MONEY IS MADE ON THE BUY
- SELLERS SET ASKING PRICES; BUYERS DETERMINE VALUE
- BUYERS BUY VALUE
- THOSE WITH POWER HAVE FEW NEEDS. THOSE WITH NEEDS HAVE LITTLE POWER
- THE HARDEST THING TO GAIN IS TRUST; THE EASIEST THING TO LOSE IS TRUST

"Based on information from the Pikes Peak REALTOR Services Corp. ("RSC"), for the period January 1, 2005 through August 9, 2011. RSC does not guarantee or is in any way responsible for its accuracy. Data maintained by RSC may not reflect all real estate activity in the market and is provided as is without warranty or guaranty." Additional sources include CSHBA, PPRBD, The Gazette, [www.FHFA.gov](http://www.FHFA.gov), Zillow.com, Standard & Poors, Freddie Mac, Colorado Springs Business Journal, ROOST.com, ALTOS Research, CNBC.com, Bloomberg.com, [www.PMI-US.com](http://www.PMI-US.com).

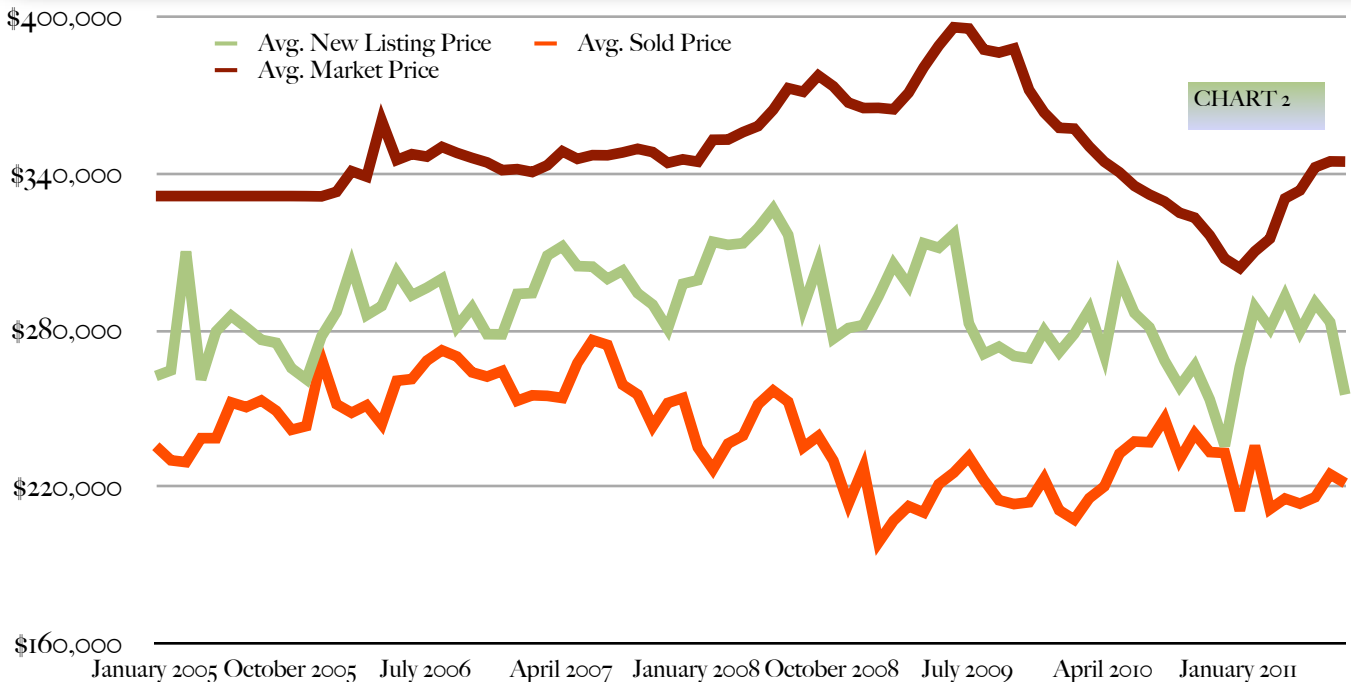
STRENGTHS	WEAKNESSES
Sixth straight month posting 6 months of inventory (5.4)	Moody's & Fitch affirmed AAA ratings, but the S&P downgrade is fresh in the memory
There are 1350 fewer homes listed than same time last year (-23.2%) with much higher sales rate (+23.2%)	Welcome to Macroeconomics 101 in a Global Economy: Europe has most markets scared
The never-before-seen-record-low-rates-of-hyperbole-of-last-year... are available today (4.00% to 4.5%)	The budget "deal" tin-can kicked down the street calls for military spending cuts. Colorado Springs has 40,000 active duty personnel and thousands of DOD contractors. Hmmm...
OPPORTUNITIES	THREATS
Private Mortgage Insurance ( <a href="http://www.PMI-US.com">www.PMI-US.com</a> ) rates the Colorado Springs home affordability index at over 150% with less than a 17% chance of future declines	Job growth is sporadic, real wages are unchanged for a half decade against a dollar that has lost significant value.
Really, there is not a thing wrong with the real estate market. Foreclosures are way down, inventory is way down, sales are decent, money leverage is amazing	All the problems are outside of real estate: job uncertainty, global economic uncertainty and political dysfunction encourages consumers to put off any big decision or purchase

Single Family Unit Comparison (Chart 1): We do our very best to avoid the hyperbolic language of the modern media in this report. We do this by looking at a variety of variables to gauge the larger picture.

Our first variable we examine each month is to examine the relationship between active listings and sold listings among single family properties. The 2011 calendar year can most appropriately be called "flat". The peaks and valleys between the low months (January/February) and peak months (June/August) in sales activity have been much less severe than previous years. Also stable has been the available inventory, with a low of 4315 in February and a high of 4723 in June representing less than a 10% increase in inventory.



Average Price Comparison (Chart 2): Perhaps part of the reason sales were healthier than expected in August was because sellers grew suddenly more realistic. This could also have been the start of some of the robo-signing foreclosure backlog at long last hitting the market. But the new to market asking price was the lowest price registered in at least seven years. One year does not a trend make, but there is some significance to this one month reading of \$255,000: 1.) sellers grew more reasonable as the year progressed each of the last two years, but not in this drastic of a fashion. 2.) in a market with a greater balance of supply and demand, a move by sellers in a direction close to where buyers are operating will likely increase buyer demand and with it, average price. In late spring and early summer, this space speculated on why average price was not climbing despite improved balance in the market. The only likely culprit was that sellers were asking too much. Something to monitor going forward is whether or not improved pricing will translate into an improved number of closed units as well.



Months of Inventory (Chart 3): The most compelling way to show that the market fundamentals are moving back into line is seen in months of inventory, which has been at or below 6.1 months each month since April. This shows a stable to slightly improving market.

However, supply and demand is still subject to toxic shock like massive economic and political movements. The real estate fundamentals right now are pretty sound. It's the "everything else" that's suspect.

New Market Activity (Chart 4): This chart shows how this year has unfolded more like 2009 than 2010. The number of new listings has been a good bit lower, sales activity has been more moderate, and pending sales activity has been more consistent.

The slowdown in listing inventory may result in higher average sales price as the year finishes. See Analysis starting on Page 5 for why.

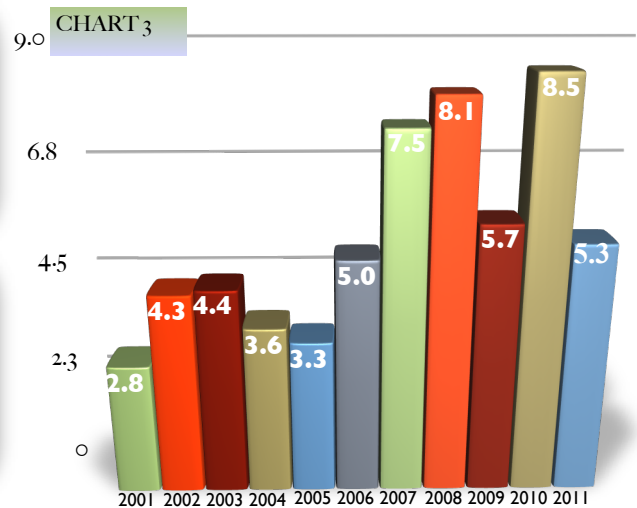


CHART 4

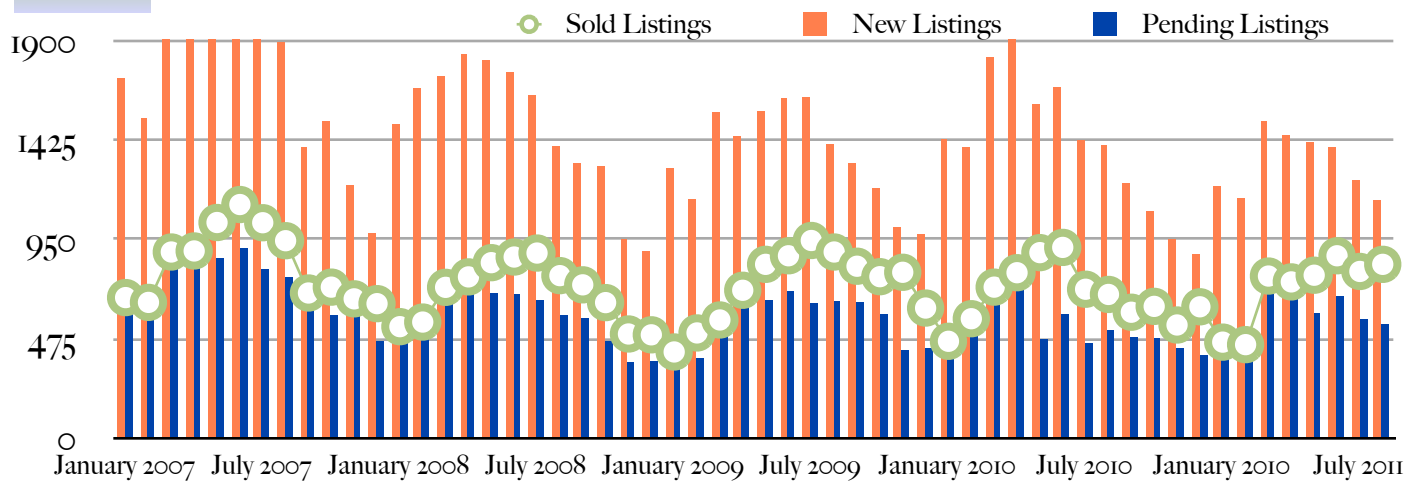


TABLE 1

Single Family Area	#SFR AC-Supply	#SFR SOLD Demand	TIME TO Months	#SFR Listed Last 3 mos	Avg List Price	Avg Sold Price	SP to List %	Avg. DOM
BLA	170	48	10.63	95	\$621,501	\$351,356	96.8%	139
BRI	220	162	4.07	241	\$331,841	\$296,851	97.3%	87
CEN	273	152	5.39	246	\$228,706	\$132,420	96.4%	78
EAS	206	165	3.75	220	\$208,152	\$168,768	98.7%	64
F/V	388	320	3.64	431	\$190,782	\$241,767	97.8%	80
FAN	151	141	3.21	127	\$276,247	\$221,575	97.8%	105
N/E	282	197	4.29	294	\$270,883	\$221,575	98.1%	88
N/W	165	102	4.85	133	\$394,270	\$343,551	95.3%	99
NGT	166	82	6.07	164	\$472,459	\$360,054	97.6%	88
OCC	95	48	5.94	95	\$205,391	\$142,791	91.2%	69
PWR	311	244	3.82	324	\$219,442	\$190,270	98.9%	89
S/E	157	164	2.87	192	\$139,119	\$121,218	97.8%	81
S/W	320	132	7.27	216	\$622,742	\$336,903	95.1%	124
TRI	303	128	7.10	197	\$501,033	\$361,564	96.6%	109
WES	101	54	5.61	80	\$484,317	\$252,240	93.6%	82
WPK	164	57	8.63	102	\$419,412	\$254,037	101.1%	91

TABLE 2

Single Family	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
Price	Supply	Demand	Months	Last 3 months
Under \$75,000	101	154	1.97	52
\$75,000 to \$99,999	131	132	2.98	63
\$100,000 to \$124,999	198	167	3.56	91
\$125,000 to \$149,999	361	255	4.25	149
\$150,000 to \$174,999	353	302	3.51	129
\$175,000 to \$199,999	420	281	4.48	155
\$200,000 to \$224,999	318	231	4.13	137
\$225,000 to \$249,999	347	185	5.63	146
\$250,000 to \$274,999	233	137	5.10	93
\$275,000 to \$299,999	260	102	7.65	123
\$300,000 to \$324,999	182	72	7.58	85
\$325,000 to \$349,999	200	66	9.09	83
\$350,000 to \$374,999	137	48	8.56	67
\$375,000 to \$399,999	168	46	10.96	86
\$400,000 to \$424,999	61	44	4.16	26
\$425,000 to \$449,999	116	34	10.24	66
\$450,000 to \$474,999	72	20	10.80	32
\$475,000 to \$499,999	101	23	13.17	53
\$500,000 to \$524,999	23	10	6.90	10
\$525,000 to \$549,999	68	11	18.55	33
\$550,000 to \$574,999	52	7	22.29	27
\$575,000 to \$599,999	66	11	18.00	38
\$600,000 to \$649,999	60	16	11.25	34
\$650,000 to \$699,999	65	8	24.38	40
\$700,000 to \$749,999	33	5	19.80	21
\$750,000 to \$799,999	51	2	76.50	30
\$800,000 to \$849,999	19	3	19.00	12
\$850,000 to \$899,999	30	3	30.00	17
\$900,000 to \$949,999	10	1	30.00	7
\$950,000 to \$999,999	28	0	# DIV/o!	22
\$1 mil to \$1.50 mil	64	6	32.00	40
\$1.5 mil to \$2.0 mil	41	1	123.00	30
\$2.0 mil & above	25	1	75.00	15
Total	4394	2384	5.53	2012

TABLE 3

Condo/Townhome	#SFR ACTIVE	#SFR SOLD	TIME TO SELL	#SFR Listed
Price	Supply	Demand	Months	Last 3 months
Under \$100,000	129	59	6.56	57
\$100,000 to \$124,999	71	50	4.26	39
\$125,000 to \$149,999	85	50	5.10	53
\$150,000 to \$174,999	70	30	7.00	27
\$175,000 to \$199,999	35	13	8.08	19
\$200,000 to \$224,999	18	16	3.38	6
\$225,000 to \$249,999	19	13	4.38	11
\$250,000 to \$274,999	16	4	12.00	8
\$275,000 to \$299,999	12	4	9.00	6
\$300,000 to \$349,999	10	4	7.50	8
\$350,000 to \$399,999	18	0	#DIV/o!	5
Over \$400,000	39	8	14.63	29

### Advice for market participants:

**SELLERS:** The opportunity to sell actually increase slightly in the Fall. There are far fewer listings, and while there are also fewer buyers, the percentage of buyers typically does not decrease as dramatically as the number of listings. But you have a new competitor: much more expensive listings that started out slightly too high that are now in must-sell-quickly, over-correction mode. Say you are a \$280,000 seller; your competitor could well be a home that should have started at \$295,000, but instead debuted too expensively at \$310,000. That seller now must sell and is not as concerned with making \$X, but is more concerned with when they sell. They might be willing to go head to head with you, therefore offering the buyer a better value.

**BUYERS:** There appears to be an increase in foreclosure-listed properties of late, from Fannie Mae Homepath properties to Freddie Mac Homepath properties, to Bank of America repossessed properties. The thought that there is a significant backlog of foreclosure properties waiting to come on the market could be becoming a reality. However, too much can be read into this: for one, there are 1350 fewer homes for sale this September than this time last year; so as a percentage of what is being listed (not much) it's pretty easy to see the more obvious bank-owned deals. If you have time, you are strongly encouraged to explore as many financing options as possible. If the low interest rates buys you a broad spectrum of properties and you're planning on living in your home for a decade, you owe it to yourself to see what makes the most sense, even if that means increasing your price range by 5 to 10% in price. That 5 to 10% increase might buy you a home with more quality, more durability, a better neighborhood and something that really meets your ten year plan.

### Analysis: Buyer-Side Economics

Question: "How will you know when the market has recovered?" Answer: "When you see it in the rearview mirror".

The REALTORS of Selley Group had the privilege to attend an economics lecture at the Broadmoor last month by the one and only Ben Stein ("Bueller? Bueller? Bueller?"). A magna cum laude Yale Law School grad, speechwriter for Nixon and Ford and professional investor, Ben Stein came and shared the... misery. Even in good times, economics is "the dismal science" because it is chronically remembering "financial bloodbaths" and ways that everything can go wrong. Mr. Stein humorously - but depressingly - presented forty minutes of everything wrong with the economy, from the devaluation of the dollar to an inappropriate tax structure to the "fact" that most young Americans were basically morons. As far as dismal science lectures go, the room was left feeling pretty dim. Perhaps the only thing original in the lecture was the conclusion that we should all be a lot more depressed by our present reality.

Yet with increasing regularity, consumers are asking if the real estate market is starting to recover. For a casual observer, they will see one compelling piece of evidence that it might be: there are far fewer for sale signs on their street today than there were last year, and especially four years ago. So, what are the standards that must be in place to signify that the real estate market has "reached bottom" and is "headed in the right direction?" No one seems to agree. The quickest and easiest answer is to cling to price. Is price going up or is price going down? If prices are down from where they were, are they higher than where they were from another point in time? Are there factors that should push values upwards? What roll does probability play? If you have less than a 50% chance of selling your home, but prices were going up, would you consider that a recovered market? What about selection? If you consistently had three or four prime properties to choose from, or you were consistently signing "highest and best/multiple offer acknowledgement" forms to Bank of America on every home you were interested in, which one of these points to a recovered market? Do foreclosures exist in a

recovered market? What roll does the unemployment rate play in our judgment of a recovered real estate market? Does the price of oil or gold have anything to do with that? How about interest rates? What if S&P downgrades France? What else is there to worry about?





The rationale behind pointing out all the different variables that would point to a real estate recovery is because several operate in contradiction to one another. As we see it, these are the factors that must be at hand to safely say “yes, the real estate market is improving”:

- Supply and Demand must be in balance, to slightly less than 6 months supply over the previous 12 months. Presently, the market has 5.4 months of inventory (future short-term increases projected) but it as 6.9 months when the rate of sale and inventory for the previous 12 months is considered (future decreases still projected, although quite moderate).
- Prices should show steady appreciation for three or more consecutive months, not just during “peak season” of April to August
- Local job growth should be showing signs of present or near-term, forecasted, improvement
- Foreclosures should be in decline and the economic environment should support a stable or downward number of foreclosures going forward
- Consumers must have confidence in their decisions.

Notice that builders permit numbers don't matter in this equation. Notice that lots of inventory to choose from doesn't matter in this equation (but supply and demand in-balance does matter, which necessarily means lower inventory and more purchasing). Notice that interest rates below X do not appear in this equation. And notice that the last “variable” cannot be measured objectively. If one were to coin an economist's style phrasing for what we (Selley Group) think a market recovery looks like, we'd call it “Buyer-Side Economics”. It doesn't really matter what sellers do. One doesn't ascend to the role of seller without a ready and willing buyer. To be very blunt, “until you have a buyer, you're just a builder pushing dirt or a citizen with a framed aluminum lawn ornament who has to keep their home abnormally clean.” What any buyer will notice in this “Buyer-Side Economics” equation is this: this sounds like a market where my options are fewer, my competition is greater, and while it is “Buyer-Side Economics” it really seems to favor sellers, not buyers. Aren't low interest rates a good incentive for me to buy? Are not depressed prices a reason to consider increasing my real estate asset position?” To which we, the REALTORS of Selley Group nod our heads and elegantly say, “uh huh.” It leads to the question of questions: “Once the real estate market recovers, doesn't that mean that it is no longer a good time to buy?” Think about that one for a second.

To Mr. Stein's (hopefully sarcastic) point that a good percentage of Americans were dupes, there does seem to be one painfully obvious question economists aren't asking: what do buyers want? Markets recover only when buyers commit their treasure to acquiring what the economy is producing, servicing and fulfilling. New-to-market asking prices saw a strange 12% drop last month. Buyers had great interest rates and new listings with really good prices. What did buyers do? They increased their purchasing activity.

The painful lessons of history tell us to ply the waters of September and October cautiously for it is in these months that most of the calamitous financial meltdowns of the last century occurred. As scary as the past can be, we encourage a well-rounded, blended perspective that accounts for the lessons of the past, but also acknowledges present opportunities and unfolding trends of the future.

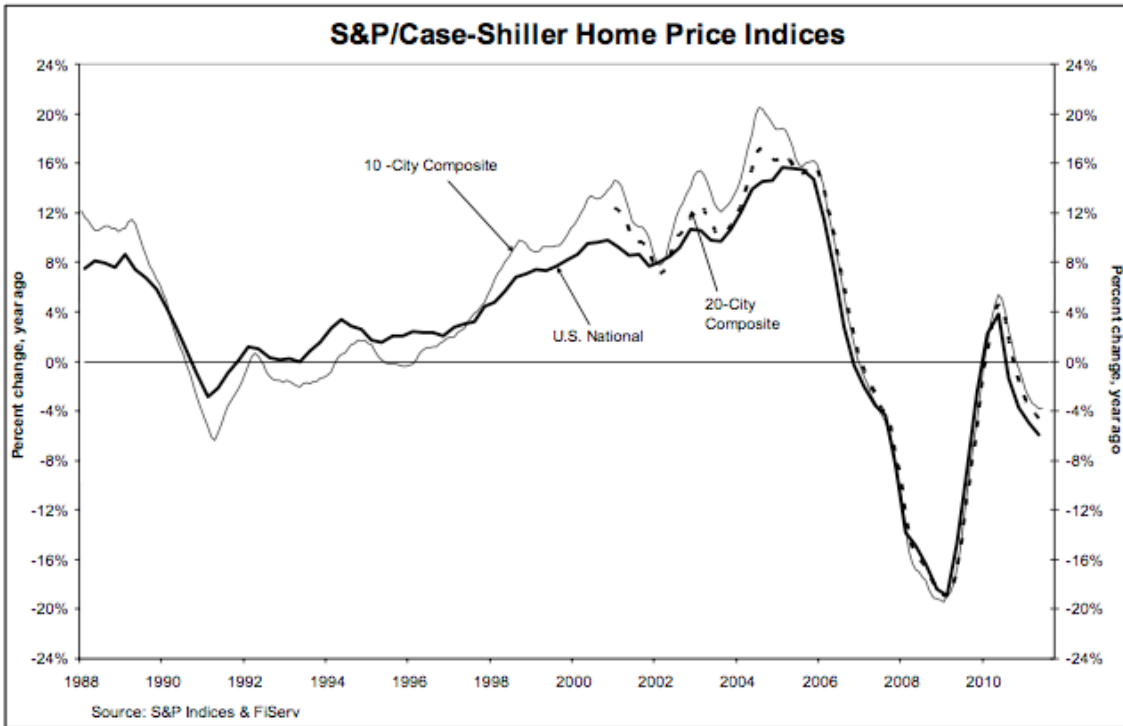
Single-Family Homes Sold July	Trending	Avg. Sales Price YTD	Trending	Number of Listings for Sale	Trending	30-Year Fixed Rate	Trending
832	 21% higher than 2010's August and 4.3% higher than July. Likely 750-800 next two months	\$217,989	 Likely rising to \$220,000 to \$223,000 by year's end, still down from 2010.	4484, down more than 23% from one year ago	 Numbers are falling after cresting over 4820 in June.	4.2%	 Rates are superb but every financial market is volatile



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If you know someone who would appreciate a copy of this newsletter, please call or email today...

## Appendix: Additional National Data and Third-Party Information Sites



### National Pricing Trends:

Chart 5 shows the popular graphic showcasing prices in the Top 10 and Top 20 National Real Estate markets as created by investment company Standard & Poor's. Nationally, a double-dip occurred early this spring, and began at least a one month correction in April that has continued into June.

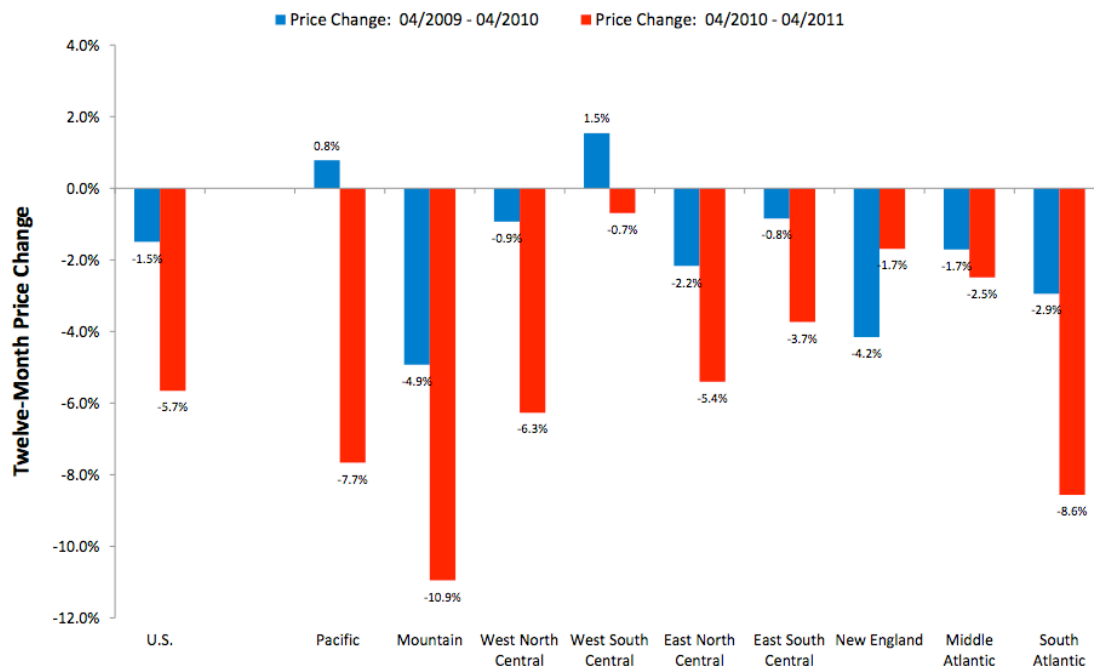
Year over Year, the C-S is down approximately 4%, similar to the declines experienced in Colorado Springs' average pricing. However, some areas are down as much as 10% (Minneapolis) while others are neutral or up slightly (Charlotte). Colorado Springs two dozen MLS areas have experienced similar variations

### National Pricing Trends:

Chart 6 shows data from FHFA.gov a government oversight agency that monitors loan activity, both purchase and refinance, for all counties in the United States. They are also pushing the agenda for QRM, a proposal that would remove less than 20% down conventional loans from circulation unless lenders had the capital on-hand to actually lend. This is being considered as one of the many highly complicated fixes to the government control of Fannie Mae and Freddie Mac.

Selley Group as a company does not endorse this drastic change being considered, but is providing this graphic showing FHFA's numbers on what has occurred throughout the country after the tax-credit expiration. It should be noted that Colorado Spring drop of 4% in 12 months is half the rate of drop seen in the mountain region.

**Figure 4: Twelve-Month Price Changes – Prior Year vs. Most Recent Year**



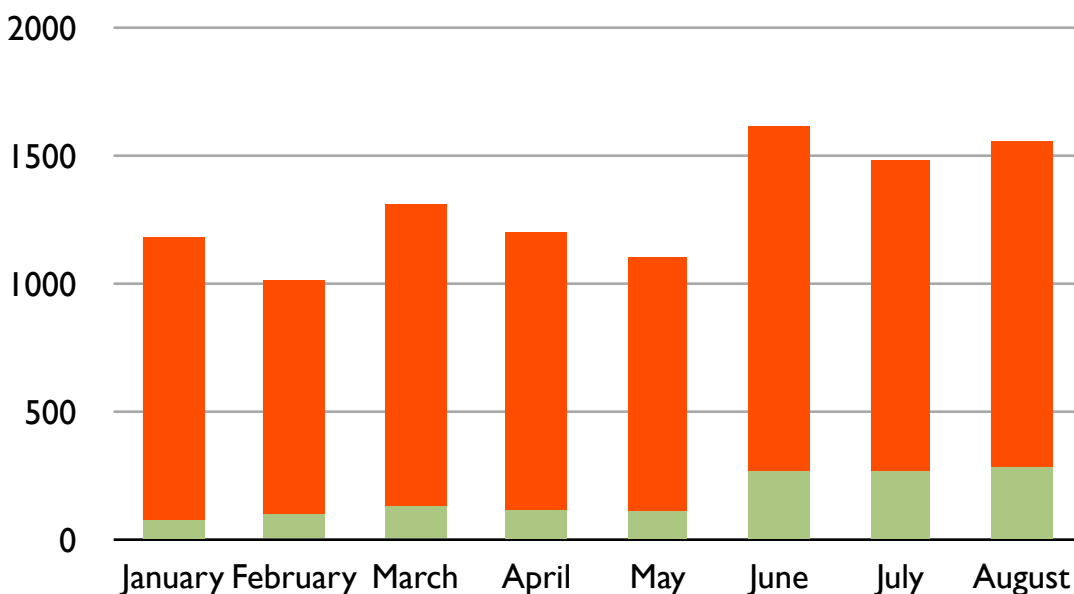
## Freddie Mac 30 Year Fixed Rate Mortgage Monthly National Averages

	2011		2010		2009		2008		2007		2006		2005		CHART 7
	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	Rate	Pts	
January	4.76	0.8	5.03	0.7	5.05	0.7	5.76	0.4	6.22	0.4	6.15	0.5	5.71	0.7	
February	4.95	0.7	4.99	0.7	5.13	0.7	5.92	0.5	6.29	0.4	6.25	0.6	5.63	0.7	
March	4.84	0.7	4.97	0.7	5	0.7	5.97	0.5	6.16	0.4	6.32	0.6	5.93	0.7	
April	4.84	0.7	5.1	0.7	4.81	0.7	5.92	0.4	6.18	0.5	6.51	0.6	5.86	0.6	
May	4.64	0.7	4.89	0.7	4.86	0.7	6.04	0.7	6.26	0.4	6.6	0.5	5.72	0.6	
June	4.51	0.7	4.74	0.7	5.42	0.7	6.32	0.6	6.66	0.4	6.68	0.5	5.58	0.6	
July	4.55	0.7	4.56	0.7	5.22	0.7	6.43	0.7	6.7	0.4	6.76	0.5	5.7	0.5	
August	4.27	0.7	4.43	0.7	5.19	0.7	6.48	0.7	6.57	0.4	6.52	0.4	5.82	0.5	
September			4.35	0.7	5.06	0.7	6.04	0.7	6.38	0.5	6.4	0.5	5.77	0.6	
October			4.23	0.8	4.95	0.7	6.2	0.7	6.38	0.5	6.36	0.4	6.07	0.5	
November			4.3	0.8	4.88	0.7	6.09	0.7	6.21	0.4	6.24	0.5	6.33	0.6	
December			4.71	0.7	4.93	0.7	5.29	0.7	6.1	0.5	6.14	0.4	6.27	0.5	
Avg			4.69	0.7	5.04	0.7	6.03	0.7	6.34	0.4	6.41	0.5	5.87	0.6	

Money Leverage: August saw near-all-time low for the 30-year mortgage average from Freddie Mac. Keep in mind the "points" required to obtain these rates. If you are wishing to refinance, that 4.27 costs \$1400 in origination fee alone on a \$200,000 mortgage

■ Back on Market Listing

■ Expired Listings



When is a listing most likely to change hands? January (1104) and June (1346). When do buyers make more earnest decisions and walk away from problem properties? The summer. This year, the Back on Market rate (BOM) doubled from May (111) to June (268), and has increased again into August (283). Sellers, this time of year, buyers are much more likely to buy the sure thing, then take a risk.